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(c) Your current reference price decreases by more than 25 percent from your base reference price as calculated under this paragraph.

(1) Your current reference price is a weighted-average of daily closing prices on the NYMEX for light sweet crude oil and natural gas over the most recent full 12 calendar months;

(2) Your base reference price is a weighted average of daily closing prices on the NYMEX for light sweet crude oil and natural gas for the full 12 calendar months preceding the date of your most recently approved application for this royalty relief; and

(3) The weighting factors are the proportions of the total production volume (in BOE) for oil and gas associated with the most likely scenario (identified in §§ 203.85 and 203.88) from your most recently approved application for this royalty relief.

(d) Before starting to build your development and production system, you have revised your estimated development costs, and they are more than 120 percent of the eligible development costs associated with the most likely scenario from your most recently approved application for this royalty relief.

[63 FR 2618, Jan. 16, 1998; 63 FR 24747, May 5, 1998, as amended at 67 FR 1878, Jan. 15, 2002]

§ 203.75 What risk do I run if I request a redetermination?

If you request a redetermination after we have granted you a suspension volume, you could lose some or all of the previously granted relief. This can happen because you must file a new complete application and pay the required fee, as discussed in § 203.62. We will evaluate your application under § 203.67 using the conditions prevailing at the time of your redetermination request. In our evaluation, we may find that you should receive a larger, equivalent, smaller, or no suspension volume. This means we could find that you do not qualify for the amount of relief previously granted or for any relief at all.

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§ 203.76 When might MMS withdraw or reduce the approved size of my relief?

We will withdraw approval of relief for any of the following reasons.

(a) You change the type of development system proposed in your application (e.g., change from a fixed platform to floating production system, or from an independent development and production system to one with subsea wells tied back to a host production facility, etc.).

(b) You do not start building the proposed development and production system within 18 months of the date we approved your application, unless the MMS Director grants you an extension under § 203.79(c). If you start building the proposed system and then suspend its construction before completion, and you do not restart continuous building of the proposed system within 18 months of our approval, we will withdraw the relief we granted.

(c) Your actual development costs are less than 80 percent of the eligible development costs estimated in your application's most likely scenario, and you do not report that fact in your post-production development report (§ 203.70). Development costs are those expenditures defined in § 203.89(b) incurred between the application submission date and start of production. If you report this fact in the post-production development report, you may retain the lesser of 50 percent of the original royalty suspension volume or 50 percent of the median of the distribution of the potentially recoverable resources anticipated in your application.

(d) We granted you a royalty-suspension volume after you qualified for a redetermination under § 203.74(c), and we find out your actual development costs are less than 90 percent of the eligible development costs associated with your application's most likely scenario. Development costs are those expenditures defined in § 203.89(b) incurred between your application submission date and start of production.

(e) You do not send us the fabrication confirmation report or the post-production development report, or you provide false or intentionally inaccurate information that was material to our

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granting royalty relief under this section. You must pay royalties and late-payment interest determined under 30 U.S.C. 1721 and §218.54 of this chapter on all volumes for which you used the royalty suspension. You also may be subject to penalties under other provisions of law.

[63 FR 2618, Jan. 16, 1998, as amended at 67 FR 1878, Jan. 15, 2002]

§ 203.77 May I voluntarily give up relief if conditions change?

Yes, you may voluntarily give up relief by sending a letter to that effect to the MMS Regional office for your region.

[73 FR 69516, Nov. 18, 2008]

§ 203.78 Do I keep relief approved by MMS under §§ 203.60–203.77 for my lease, unit or project if prices rise significantly?

If prices rise above a base price threshold for light sweet crude oil or natural gas, you must pay full royalties on production otherwise subject to royalty relief approved by MMS under §§203.60–203.77 for your lease, unit or project as prescribed in this section.

(a) The following table shows the base price threshold for various types of leases, subject to paragraph (b) of this section. Note that, for post-November 2000 deepwater leases in the GOM, price thresholds apply on a lease basis, so different leases on the same development project or expansion project approved for royalty relief may have different price thresholds.

For . . .	The base price threshold is . . .
(1) Pre-Act leases in the GOM,	set by statute.
(2) Post-November 2000 deep water leases in the GOM or leases offshore of Alaska for which the lease or Notice of Sale set a base price threshold,	indicated in your original lease agreement or, if none, those in the Notice of Sale under which your lease was issued.
(3) Post-November 2000 deep water leases in the GOM or leases offshore of Alaska for which the lease or Notice of Sale did not set a base price threshold,	the threshold set by statute for pre-Act leases.

(b) An exception may occur if we determine that the price thresholds in paragraphs (a)(2) or (a)(3) mean the royalty suspension volume set under §203.69 and in lease terms would provide inadequate encouragement to increase production or development, in which circumstance we could specify a different set of price thresholds on a case-by-case basis.

(c) Suppose your base oil price threshold set under paragraph (a) is \$28.00 per barrel, and the daily closing NYMEX light sweet crude oil prices for the previous calendar year exceeds \$28.00 per barrel, as adjusted in paragraph (h) of this section. In this case, we retract the royalty relief authorized in this subpart and you must:

(1) Pay royalties on all oil production for the previous year at the lease stipulated royalty rate plus interest (under 30 U.S.C. 1721 and §218.54 of this chapter) by March 31 of the current calendar year, and

(2) Pay royalties on all your oil production in the current year.

(d) Suppose your base gas price threshold set under paragraph (a) is \$3.50 per million British thermal units (Btu), and the daily closing NYMEX light sweet crude oil prices for the previous calendar year exceeds \$3.50 per million Btu, as adjusted in paragraph (h) of this section. In this case, we retract the royalty relief authorized in this subpart and you must:

(1) Pay royalties on all gas production for the previous year at the lease stipulated royalty rate plus interest (under 30 U.S.C. 1721 and §218.54 of this chapter) by March 31 of the current calendar year, and

(2) Pay royalties on all your gas production in the current year.

(e) Production under both paragraphs (c) and (d) of this section counts as part of the royalty-suspension volume.

(f) You are entitled to a refund or credit, with interest, of royalties paid on any production (that counts as part of the royalty-suspension volume):

(1) Of oil if the arithmetic average of the closing prices for the current calendar year is \$28.00 per barrel or less,